BCI Exhibit 627

Annual Report 2008

DTCC

The Depository Trust & Clearing Corporation

"In a world of uncertainty, the one place where there has been stability and resilience is in the infrastructure."

Larry E. Thompson
Managing Director and General Counsel

Donald F. Donahue
Chairman and Chief Executive Officer

Ellen Fine Levine
Managing Director, Chief Financial Officer and Treasurer

Lehman Bankruptcy Closed Out – $500 Billion in Market Exposure Eliminated

Credit Default Swaps Settle Smoothly

Release of Credit Default Swap Data **Calms Financial Markets**

EuroCCP Brings Low-Cost Clearing and Settlement to Europe

The Depository Trust & Clearing Corporation Annual Report 2008

DTCC

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DTCC Subsidiaries: The Depository Trust Company (DTC); National Securities Clearing Corporation (NSCC); Fixed Income Clearing Corporation (FICC); DTCC Solutions LLC; DTCC Deriv/SERV LLC; European Central Counterparty Limited (EuroCCP)

DTCC Joint Venture: Omgeo

Protecting Our Members – The Lehman Bankruptcy

Thomas Quaranta, *senior relationship manager, Relationship Management, and* **Elena Staloff,** *vice president, Clearance and Settlement/Equities*

Lehman Bankruptcy Timeline

Sunday, September 7
Federal government puts Fannie Mae and Freddie Mac into conservatorship. Rumors begin about other firms that may be in trouble, including Lehman Brothers Holding, Inc. (LBHI), the holding company that had a brokerage subsidiary, Lehman Brothers, Inc., which was a major member of various DTCC subsidiaries. It ranked as a top-three user of DTCC's mortgage-backed securities division. It was a top-five user in DTCC's U.S. government securities division and at Deriv/SERV for OTC derivatives. And it was in the top 10 of users at the National Securities Clearing Corporation (NSCC), and at The Depository Trust Company (DTC).

Tuesday, September 9
Lehman Brothers, Inc. placed on highest level of surveillance by DTCC. Additional Lehman clearing funds are demanded by NSCC and FICC.

Thursday, September 11
DTCC Board credit and risk management committee begins meeting regularly on Lehman, often more than once a day. Meetings continue until September 24.

Friday, September 12
DTC lowers net debit cap for Lehman Brothers, Inc. to zero to minimize risk to the depository. The move effectively prevented any payment obligations to DTC to occur in the account in case LBHI declared bankruptcy that weekend.

Saturday, September 13
The Federal Reserve Bank of New York convenes emergency meetings with industry representatives to discuss the possible sale of Lehman Brothers. Lehman's fate topped the agenda during those sessions. The Bank of America and Barclays were considered potential suitors initially. Their interest in LBHI, however, was contingent on loans or other guarantees against Lehman losses to be provided by the Fed or the Treasury. And in the end, the chance of a sale evaporated when no Fed or government support materialized. Bank of America, however, did end up engaged in discussions to take over Merrill Lynch that weekend.

John Petrofsky,
associate counsel, General Counsel's Office

The first time DTCC dealt with the possible bankruptcy of a major firm like Lehman Brothers, it was a game – a "war game."

It was, in fact, a risk-management exercise DTCC went through in June 2008. The idea was to give executives and staff a real-time scenario of what they might face if one of Wall Street's largest investment banks – and one of DTCC's largest customers – suddenly went belly up.

The next time DTCC dealt with the bankruptcy of Lehman Brothers, three months later, it was profoundly real – and the beginning of a quick-moving crisis.

Lehman was one of the nation's most powerful financial institutions and among the world's five largest participants in the trillion-dollar markets for government and mortgage-backed securities. Yet Lehman Brothers Holdings, Inc. slid into bankruptcy abruptly on Monday, Sept. 15, 2008, followed about a week later by the bankruptcy of its U.S. brokerage subsidiary.

Its collapse, the largest in U.S. history, left DTCC with a staggering challenge: how to wind down the more than $500 billion in securities trades that remained on the books of Lehman. One newspaper called it "The Nightmare on Wall Street."

'Nightmare' Scenario

For DTCC and its subsidiaries, a nightmare was all too possible. After all, as central counterparties, they had guaranteed completion of billions of dollars worth of Lehman's trades. If they incurred substantial losses when winding trades down, they would need to start drawing on clearing funds their customer-members maintain with them in case of defaults. Never in its 35-year history had DTCC been forced to do this.

So What Happened?

DTCC had begun stepping up its daily risk monitoring of Lehman's trading activity some weeks earlier. Executives from DTCC's risk

Sunday, September 14
Talks for takeover of Lehman break down on Sunday. DTCC is advised Sunday evening that LBHI will file for bankruptcy, but Lehman Brothers, Inc., Neuberger Berman and Lehman Bank will not be impacted and will continue to operate.

Monday, September 15
DTC, NSCC and FICC issue important notices stating they would continue to act for Lehman Brothers, Inc., Neuberger Berman and Lehman Bank.

Julie Krill, *director, Clearance and Settlement/Equities, and* **Michael C. Bodson,** *executive managing director, Business Management and Strategy*

Week of September 15

DTCC's goal this week was to mitigate risk to members. During the week, DTCC staff closely monitored the LBI settlement activities and exposures and discussed with Lehman Brothers, Inc. a possible wind-down. During the early days of that week, DTC gave back modest net debit cap activity to the firm in order to allow it to facilitate certain transactions. Late in the week, ACATS transfers out of Lehman begin to increase significantly, reflecting extensive customer account transfers away from the firm. At the time, Lehman Brothers, Inc.'s positions were increasingly locked up in pledges and could not be released to meet transaction delivery obligations. As a result, DTCC started to see large intraday settlement debits develop in Lehman Brothers, Inc.'s clearing corporation settlement balance. Also, early in that week, reports indicated that Barclays Capital (Barcap) would buy certain assets of Lehman Brothers, Inc. But later in the week, discussions indicated that Barcap intended to purchase only assets and not liabilities of Lehman Brothers, Inc. Late in the week, DTCC hired bankruptcy counsel Proskauer Rose to advise it. DTC settlement was extended three hours on Thursday, September 18, to permit transfers of Lehman Brothers, Inc. collateral pledged to the Fed.

management and legal teams were also meeting with regulators during this period. To prevent any exposure DTCC's depository, The Depository Trust Company (DTC), might have to a Lehman bankruptcy, DTC sharply restricted any debit Lehman Brothers, Inc. could incur at the depository.

The Pre-Dawn Wait

DTCC executives had already gathered in their offices before dawn on Monday, September 15. They knew an announcement was imminent. Lehman Brothers Holdings, Inc. was about to shock the world by declaring bankruptcy, although the Lehman subsidiaries that were members of DTCC were not covered by that declaration. When the news hit, the markets went into a near free fall. Trading volume on U.S. markets climbed to a record that day, and then proceeded to set more records as the week wore on.

The next day, the bankruptcy court appointed the Securities Investor Protection Corporation (SIPC) trustee for Lehman Brothers, Inc. DTCC's clearing subsidiaries had been accepting as many Lehman trades as possible to allow member-customers the opportunity to take advantage of their guarantees to see the trades through to completion. Over the weekend, Lehman agreed with DTCC's subsidiaries to conduct an orderly wind-down of any outstanding positions, and on September 22, DTCC's subsidiaries advised their customers that they would no longer accept any new Lehman trades.

Meanwhile, the British bank, Barclays, proposed to spend $1.75 billion to purchase certain assets of Lehman Brothers Holdings, Inc.'s business, including, possibly, its brokerage arm. DTCC acted to stop transfers via ACATS, its automated customer account transfer service, to avoid a severe liquidity demand at Lehman that could have resulted in a default. That would have caused significant legal issues before the sale of assets to Barclays could have been completed.

The Barclays Interlude

Over the long, hectic weekend of September 19-21, Barclays' teams met with DTCC executives to review the Lehman assets DTCC was holding in its depository and as collateral for trading positions. Finally, sometime around 2 a.m. Monday, September 22, the bankruptcy judge overseeing the Lehman case signed off on Barclays' asset purchase plan. And later Monday morning, DTCC sent out formal notices to customers that said Lehman would begin an orderly wind-down of outstanding trades still on the books at the clearing corporations. By September 24, that changed to a formal "cease to act" order, and DTCC's subsidiaries took over responsibility for liquidating the positions.

But there would be more late-night meetings in the coming weeks, especially for DTCC's Deriv/SERV unit. It would have to help guide the industry through several major credit events in the global credit default swap (CDS) market while simultaneously coping with media reports and market anxiety about the size of credit default swap payouts due on Lehman contracts.

Heng Sun, *director, Quantitative Risk, Risk Management, and* **Elke Jakubowski,** *vice president, Clearance and Settlement/Fixed Income*

Timothy Beckwith *(left), senior operations specialist, EuroCCP, and* **James Cressy,** *head of operations, EuroCCP (London)*

Friday, September 19
A Securities Investor Protection Corporation (SIPC) trustee was appointed for Lehman Brothers, Inc. DTCC and Lehman agreed that Lehman would not submit new trades effective Friday, except for option exercises and assignments from Options Clearing Corporation. DTC lowered net debit cap for Lehman to zero again. DTCC also acted to eliminate debits via ACATS to avoid severe liquidity demand that could result in a default, which would have caused significant legal issues before the sale of assets to Barclays would have been completed.

Saturday, September 20
SIPC trustee authorizes sales of Lehman Brothers, Inc. assets to Barclays Capital. Terms are discussed over the weekend.

Monday, September 22
DTCC advises members it will work with SIPC trustee to effect an orderly wind down of Lehman Brothers, Inc. for all open accounts and assets not acquired by Barclays. MBSD starts its normal "distributed liquidation process" for liquidation of pending "to be announced" mortgage-backed securities trades, but members object, given the dollar value of the trades. After discussions with MBSD members and the U.S Securities and Exchange Commission (SEC), MBSD then elects to use a centralized netting process for the first time, which ultimately allows it to reduce gross obligations from $329 billion to about $30 billion.

Catching a Break

That Monday, however, DTCC caught a break. Its Fixed Income Clearing Corporation (FICC) already had plans to launch a new central counterparty (CCP) that could net and guarantee trades in the mortgage-backed securities market. Now executives at a major securities industry trade group, the Securities Industry and Financial Markets Association, were on the phone exploring whether it would be possible to kickstart the CCP right away in order to wind down Lehman's forward mortgage-backed securities trades. "We were looking at $329 billion in mortgage trades that had to be dealt with," said Murray Pozmanter, DTCC managing director, Clearance and Settlement Group. "Frankly, we were ready to look at anything that could work."

An hour later, Pozmanter and others listened to some 300 broker/dealers on a conference call. Rather than follow its standard trade-by-trade wind-down procedure, the brokers asked if FICC could try to net out as many of the trades as possible through a central counterparty approach.

The lights burned through the night in an all-hands-on-deck exercise as more and more numbers were entered into spreadsheets. And by the next day, some $300 billion in Lehman forward mortgage-backed securities trades – or about 90% of the value outstanding – were netted out. The securities industry heaved a collective sigh of relief.

Yet Lehman's book held close to $200 billion in other trades as well – all of them guaranteed by DTCC companies. The trades included $190 billion in government securities and repos, and another $5.85 billion involving equities, municipal bonds and corporate debt.

National Securities Clearing Corporation (NSCC), which clears and settles virtually all broker-to-broker trades in the U.S. in equities, corporate bonds and municipal bonds, faced total exposure of approximately $5.85 billion from Lehman Brothers at the time its accounts were closed. This sum included $3.8 billion in options exercises and assignments from the Options Clearing Corporation, which expired on Friday, September 19, and NSCC processed and subsequently guaranteed. A portion of Lehman's obligations at NSCC was also successfully resolved when DTCC's DTC subsidiary took the lead in working with Lehman's pledgee bank to arrange for the release of $1.9 billion in securities, which were used to satisfy open trades at NSCC. As a result, NSCC did not need to go to the marketplace to purchase securities for these trades.

DTCC completed the largest close-out in history – $500 billion – without any loss to our customers' clearing fund.

Liquidating Lehman's Portfolio

At this point, DTCC hired an investment manager to help in liquidating positions held by DTCC's equity and fixed income clearing corporations. Neither the investment manager's identity nor DTCC's was disclosed so they could operate in the markets with anonymity. The investment manager provided advice and helped determine the best strategy to hedge the portfolios, minimize risk and conduct an orderly liquidation without disrupting the markets.

By Thursday, September 24, the team was already beginning to hedge the outstanding trades. The next day, DTCC locked down Lehman's fixed-income portfolio and on Saturday was able to lock down the portfolio with equities and corporate bonds. The rest of the wind-down now began in earnest.

Mitigating Risk Overseas

EuroCCP, a U.K.-based subsidiary of DTCC that provides pan-European clearing and settlement services for multilateral trading facilities, was in midstream of its initial business launch when it was called on to close out trading positions for Lehman Brothers International (Europe) (LBIE). LBIE was placed into administration on September 15, but EuroCCP continued to settle as many of the open positions as possible with LBIE's agent banks so it could deliver the securities to other participants the same day. LBIE had open trades in 12 markets and six currencies, totaling almost €21 million. The next day, EuroCCP ceased to act for LBIE once it became clear that LBIE's agent banks would no longer be settling the remaining positions. EuroCCP engaged a broker to close out €16 million in remaining positions. EuroCCP successfully completed its close-out of LBIE's open positions without the need to use EuroCCP's Guarantee Fund.

Rumor Mill on CDS Trades Continues to Spook Financial Markets

Meanwhile, as uncertainty and turmoil continued to swirl through the markets, DTCC acted to minimize risk for its OTC derivatives customers. It acted as early as September 15 to stop the automated central settlement of CDS payment obligations maintained in DTCC's Trade Information Warehouse involving two Lehman subsidiaries, LBIE and Lehman Brothers Special Financing, Inc. DTCC also assisted counterparties in listing and removing from the Warehouse more than 300,000 CDS contracts that market participants held with Lehman. However, market anxiety continued to grow, driven in part by speculation that the CDS market had exposure of as much as $400 billion for payments on a Lehman default.

Calming Public Fears

Later that week, after discussions with customers and the Federal Reserve Bank of New York, which was looking for ways to help calm the markets, DTCC disclosed publicly for the first time figures from its Trade Information Warehouse. DTCC's press release communicated that the real size of obligations in the CDS market was closer to $6 billion, far less than many had speculated. Less than two weeks later, DTCC was able to provide instructions for the transfer – without incident – of about $5.2 billion in net funds among the various counterparties involved in the Lehman "credit event."

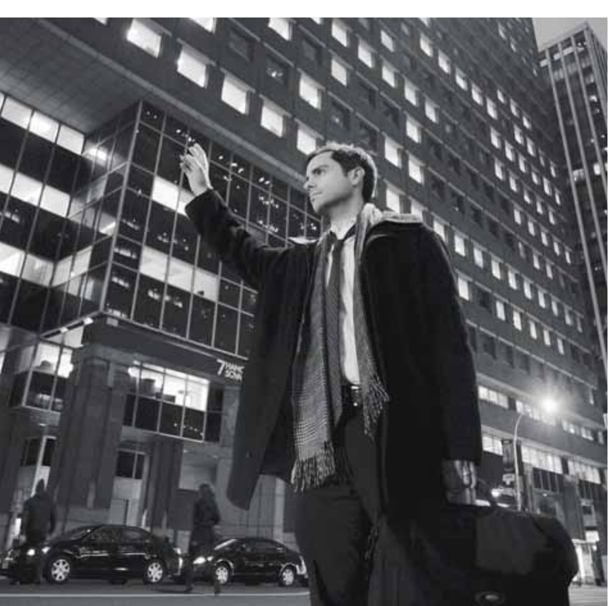
At the same time, DTCC's Operations team was scrambling to keep up with Federal Reserve initiatives to unfreeze the commercial paper market and obtain timely payments from key paying agents.

By October 13, DTCC was able to liquidate the last of Lehman's mortgage-backed securities trades. It took another week to complete liquidating the huge book of U.S. government securities trades Lehman's collapse had left behind. And finally, at the end of October, six weeks after the bankruptcy, the investment manager closed out the last of the equity and corporate bond trades.

Outside of people in the finance world and at the Federal Reserve, few knew that DTCC had completed the largest close-out in the history of U.S. financial markets. And it did so without touching any lines of credit held by its subsidiaries – or any of the clearing funds all customer-members are required to put up.

The nightmare had been vanquished. ☐

Tuesday, September 23
Lehman Brothers formally fails to settle.



(Above) **Kesavan Menon,** *manager, user acceptance testing, Deriv/SERV*

(Left) **Drew Saur,** *systems director, Applications Development and Maintenance (ADM), Information Technology*

Wednesday, September 24
DTCC publishes notification to its members at NSCC, FICC and DTC that it has ceased to act for Lehman Brothers, Inc. DTCC also makes arrangements to hire an outside adviser/investment manager firm to liquidate the FICC and NSCC portfolios of securities from the Lehman bankruptcy.

Thursday, September 25
DTCC locks the FICC portfolios for Lehman and turns them over to an investment manager for liquidation. The portfolios amounted to $190 billion in U.S. government securities trades and $329 billion in MBS trades.

Friday, September 26
DTCC locks the NSCC portfolio for Lehman and turns it over to an investment manager for liquidation. Appropriate hedges were put in place. Portfolio totaled $5.9 billion. Because DTC had lowered its net debit cap, there were no DTC-owned assets that had to be liquidated.

Thursday, October 30
DTCC announces in a press release it has successfully liquidated Lehman Brothers, Inc. open positions, worth more than $500 billion, with no losses to DTCC or to any member's clearing funds.

(Above, Left to right) **Jeanne Potter,** *director, Finance;* **Marie Rey,** *managing director, Credit and Market Risk Management;* **Alan Bendel,** *application developer, Deriv/SERV and* **Albert Gambale,** *managing director, ADM Clearing and Risk*

(Left) **Maryana Smaga,** *control unit lead, Deriv/SERV Operations*